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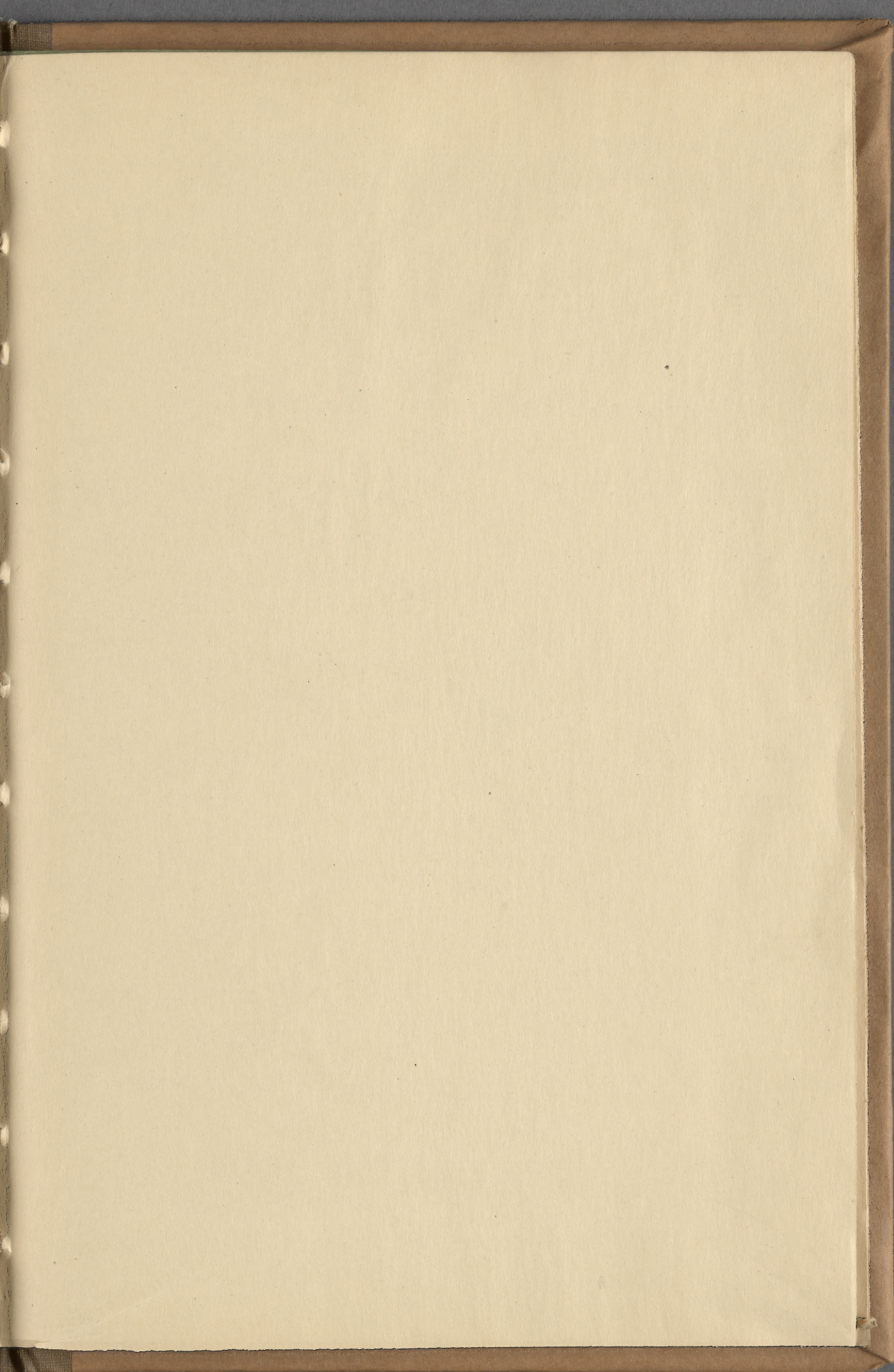
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**CHARTER  
BY-LAWS**

**AND**

**PERMANENT RESOLUTIONS**

**OF**

**BOARD OF TRADE CLEARING CORPORATION**

**WITH AMENDMENTS TO JUNE 1, 1933.**

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REC MAY 22 1935

## CERTIFICATE OF INCORPORATION OF THE BOARD OF TRADE CLEARING CORPORATION

1. The name of this corporation is Board of Trade Clearing Corporation.

2. Its principal office and place of business in the State of Delaware is to be located in Wilmington, in the County of New Castle. The agent in charge thereof is the Corporation Trust Co. of America, at 7 West 10th street in the City of Wilmington.

3. The nature of the business of the corporation and the objects or purposes proposed to be transacted, promoted or carried on by it are as follows, to-wit:

(a) To purchase and to sell the commodities and securities which now are, or which may hereafter be dealt in on the Board of Trade of the City of Chicago, and to acquire by purchase or otherwise contracts made in accordance with the charter, rules, by-laws and regulations of the Board of Trade of the City of Chicago for the purchase or sale of commodities and securities dealt in upon such Board of Trade, and to assume the obligations arising under such contracts, and to settle, adjust and clear for a compensation contracts for the purchase and sale of commodities and securities upon and subject to the charter, rules, by-laws and regulations of the Board of Trade of the City of Chicago; also to settle, adjust and clear for a compensation money balances between members of the Board of Trade of the City of Chicago; also in its discretion to exercise all or any part of the powers above set forth with respect to commodities and securities dealt in upon other exchanges, and contracts made upon and subject to the rules, by-laws and regulations of other exchanges whether in the State of Delaware or elsewhere;

(b) To acquire by purchase, subscription or otherwise, and to hold for investment or otherwise, and to use, sell, assign, transfer, mortgage, pledge or otherwise deal with or dispose of stocks, bonds, or any other obligations or secur-

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ities of any corporation or corporations, including the securities of this corporation;

(c) To purchase or otherwise acquire, and to hold, own, maintain, work, develop, sell, lease, exchange, hire, convey, mortgage or otherwise dispose of and deal in, lands and leaseholds, and any interest, estate and rights in real property, and any personal or mixed property, and any franchises, rights, licenses or privileges necessary, convenient or appropriate for any of the purposes herein expressed.

(d) To do all and everything necessary, suitable or proper for the accomplishment of any of the purposes, or the attainment of any of the objects, or the furtherance of any of the powers hereinbefore set forth, and to do every other act or acts incident or appurtenant to, or growing out of, or connected with the aforesaid business or powers, or any part or parts thereof, and to exercise all or any of its corporate powers or rights in the State of Delaware and in the various other states, territories, colonies, and dependencies of the United States, in the District of Columbia and in all or any foreign countries.

4. The capital stock of the corporation shall be divided into one thousand shares without par value. Such stock may be issued by the corporation from time to time for such consideration as may be fixed from time to time by the board of directors thereof. The number of shares with which it will commence business is ten.

5. The names and places of residence of each of the subscribers to the capital stock are as follows:

6. The corporation shall have perpetual existence.

7. The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

8. The following special provisions are incorporated for the regulation of the business and the conduct of the affairs of the corporation, and for the purpose of creating, defining,



limiting, and regulating the powers of the corporation, its governors, and stockholders.

(a) The business and affairs of the corporation shall be in charge of a board of nine directors, to be known as the board of governors, but this number may be changed from time to time by the by-laws.

(b) The by-laws may prescribe the place or places for holding stockholders' and directors' meetings.

(c) The by-laws may prescribe what persons, firms, or corporations shall be eligible to own stock in the corporation, and may provide that persons, firms, or corporations other than those designated shall not be qualified to become or remain stockholders.

(d) The corporation shall at all times retain and possess a first lien upon its own shares owned by any stockholder to secure any and all obligations owing by such stockholder to the corporation.

(e) The corporation may pass by-laws giving to itself the option to purchase at book value the shares of deceased or disqualified stockholders. Such by-laws may also prescribe the method of establishing such book value.

(f) The by-laws may provide that the corporation shall have the option to purchase a part of the shares of any stockholder where such stockholder owns a greater number of shares than is justified by the volume of his clearances. The by-laws may also provide that clearing privileges will be denied to stockholders who own an amount of stock which is inadequate as compared with the volume of their clearances.

(g) The corporation may pass by-laws conferring upon its board of governors the power to determine whether applicants for stock are qualified to become stockholders, and also to determine whether existing stockholders are qualified to continue as stockholders. Such by-laws may provide that if any stockholder is found to have become disqualified, he may no longer clear trades through the corporation, and the corporation shall have the option to purchase his shares at book



value. Such by-laws may also provide that the board of governors or its designated agents shall have access to the books and papers of all stockholders in order to determine their qualifications to continue as stockholders.

(h) The by-laws may provide that all stock certificates issued by the corporation shall be endorsed by the owner and deposited with the corporation to secure its lien thereon, and also to secure its right to purchase such shares in the event a stockholder subsequently becomes disqualified.

(i) At stockholders' meetings, each stockholder shall have one vote irrespective of the number of shares held by him.

(j) The by-laws of the corporation shall be adopted and may be amended, modified, or repealed by the board of governors.

(k) The by-laws may provide that stockholders shall have no right to subscribe to unissued or treasury shares.

(l) The by-laws may define offenses against the corporation, and may provide that stockholders committing such offenses may be fined or deprived of clearing privileges, either temporarily or permanently.

(m) When an emergency renders desirable an immediate meeting of the governors, and for any reason a quorum thereof cannot be assembled, a minority of the governors, not less than three, may appoint temporary governors from the stockholders in order to make up a quorum for the purpose of meeting the emergency.

(n) Stockholders shall be required to sign an agreement to abide by the charter and by-laws of the Corporation, as amended from time to time.

(o) The by-laws may provide that subject to the prior rights of the corporation, the shares owned by each member shall be subject to lien for obligations owing to other members.



## BY-LAWS OF THE BOARD OF TRADE CLEARING CORPORATION

### CHAPTER 1.

#### DEFINITIONS.

1. Whenever used in these by-laws, unless the context otherwise requires, the following words and expressions shall be defined as follows:

2. *Clearing House.* The Board of Trade Clearing Corporation.

3. *Board.* The board of governors of the Board of Trade Clearing Corporation.

4. *Association.* The Board of Trade of the City of Chicago.

5. *Commodities.* Commodities dealt in on the Board of Trade of the City of Chicago.

6. *On Change.* In the exchange hall of the Board of Trade of the City of Chicago, during regular trading hours on business days.

7. *Member.* A qualified stockholder of the Board of Trade Clearing Corporation.

8. *Trade.* Any purchase or sale of any commodity on change.

9. *Final Market Price.* The settling price for a particular day as established by or under the rules of the Board of Trade of the City of Chicago, or in default thereof, by the Board of Trade Clearing Corporation.

10. *Following Day.* Following business day.

11. *Preceding Day.* Preceding business day.

12. *Bulletin Board.* Bulletin board in the exchange hall.



of the Board of Trade of the City of Chicago where notices are customarily posted.

13. *Notice.* A notice in writing served personally upon the person to be notified, or left at his usual place of business during business hours, or mailed by registered mail to his residence.

## CHAPTER 2.

### STOCKHOLDERS.

14. *Meetings.* All stockholders' meetings shall be held in Wilmington, Delaware, or in Chicago, Illinois. The exact place of the meeting shall be specified in each instance in the call which may be made for such meeting.

15. *Voting.* At stockholders' meetings, the stockholders may vote in person or by proxy.

16. *Quorum.* At stockholders' meetings, a majority of stockholders shall constitute a quorum, but a less number may adjourn to any specified time or place.

17. *Annual Election.* The annual meeting of the stockholders for the election of governors and the transaction of other business, shall be held in Chicago on the second Wednesday in January of each year. Governors shall serve for three years, and five shall be elected each year. At the first election, five governors shall be elected to serve until January, 1927, five until January, 1928, and five until January, 1929.

18. *Special Meetings.* Special meetings of the stockholders for any purpose may be called by the President, or by the board, and shall be called upon the written request of twenty-five stockholders.

19. *Manner of Voting.* The manner of voting at all stockholders' meetings shall be determined by the stockholders present.



20. *Notice of Meetings.* Written notice of stockholders' meetings, stating the time and place of the meeting, and the general nature of the business to be considered, shall be given by the Secretary to each stockholder at his last known post-office address at least twenty-four hours before the date of the meeting. At such meetings no business shall be transacted other than that referred to in the notice, except with the consent of three-fourths of the stockholders present or represented.

20a. *Nominations for Governors.* Not less than thirty days before the annual meeting, the board shall appoint a nominating committee consisting of five persons, none of whom shall be members of the board. Not less than twenty days before such election, the nominating committee shall nominate five governors for the ensuing term, and shall report the names of the persons so nominated to the manager. The manager shall immediately notify the entire membership of the names of the persons thus nominated. Any twenty members by petition may nominate any other person or persons for governors for the ensuing term, and upon such petition being filed with the manager not less than one day before the annual meeting, a copy of the same shall promptly be posted on the bulletin board of the Board of Trade.

### CHAPTER 3.

#### BOARD OF GOVERNORS.

21. *First Meeting.* The first meeting of the Board in each year shall immediately follow the annual meeting of the stockholders. At such meeting, the Board shall elect the President and Vice President from their number, and a Treasurer and Secretary, who need not be Governors. Such officers shall hold office until the next annual election of officers and until their successors are elected and qualified, except as hereinafter provided.



22. *Regular Meetings.* Regular meetings of the Board may be held without notice at such places and times as shall be determined from time to time by resolution of the Board.

23. *Special Meetings.* Special meetings may be called by the President or Secretary and shall be called upon the written request of any three Governors upon *one hour's* notice to each Governor.

24. *Number, Quorum, and Qualifications.* The number of Governors shall be fifteen. A majority shall constitute a quorum. Every Governor must be a stockholder, or a general partner in a partnership which is a stockholder, or an executive officer of a corporation which is a stockholder. In the latter case, he must be a member of the Association, and his membership must be registered in the name of a corporation which is a stockholder in the clearing house.

25. *Powers of Governors.* The Board of Governors shall have the management of the business of the Corporation, and, subject to the restrictions imposed by law, by the Certificate of Incorporation, or by these by-laws, may exercise all of the powers of the Corporation.

26. *Specific Powers of Governors.* Without prejudice to the general powers above conferred, it is hereby expressly declared that the Board shall have the following powers, to-wit:

- (a) To adopt and alter a common seal of the Corporation.
- (b) To purchase or otherwise acquire for the company any property, rights or privileges which the company is authorized to acquire.
- (c) To pay for any property purchased for the company either wholly or partly in money, stock, bonds, debentures or other securities of the company.
- (d) To borrow money and to make and issue notes, bonds, and other negotiable and transferable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing necessary to effectuate the same.



(e) To remove any officer for cause, and in their discretion, from time to time, to devolve the powers and duties of any officer upon any other person for the time being.

(f) To appoint and remove or suspend such subordinate officers, agents or factors as they may deem necessary and to determine their duties, and fix, and from time to time change their salaries or remuneration, and to require security as and when they think fit.

(g) To confer upon any officer of the company the power to appoint, remove and suspend subordinate officers, agents and factors.

(h) To determine who shall be entitled to vote in the name and behalf of the company upon, or to assign and transfer, any shares of stock, bonds, or other securities of other corporations held by the company.

(i) To delegate any of the powers of the board in relation to the ordinary business of the company to any standing or special committee, or to any officer or agent (with power to sub-delegate), upon such terms as they think fit.

(j) To call special meetings of the stockholders for any purpose or purposes.

(k) To amend these by-laws, provided that no amendment shall be effective until approved by the board of directors of the Association.

## CHAPTER 4.

### OFFICERS.

27. *Officers.* The officers of the clearing house shall be a President, one or more Vice Presidents, a Secretary, an Assistant Secretary, a Treasurer, an Assistant Treasurer, a Clearing House Manager, and an Assistant Clearing House Manager.

28. *President.* The President shall when present preside at all meetings of the Board, and act as temporary chairman at, and call to order all meetings of the stockholders; and he shall have power to call special meetings of the stockholders



and Board for any purpose or purposes, appoint and discharge, subject to the approval of the Board, employees and agents of the company and fix their compensation, make and sign contracts and agreements in the name and behalf of the company, and while the Board is not in session he shall have general management and control of the business and affairs of the company; he shall see that the books, reports, statements and certificates required by the statute under which this company is organized or any other laws applicable thereto are properly kept, made and filed according to law; and he shall generally do and perform all acts incident to the office of President, or which are authorized or required by law.

29. *Vice Presidents.* The Vice Presidents in their order shall be vested with all the powers and shall perform all the duties of the President in the absence or disability of the latter, unless or until the Board shall otherwise determine. They shall have such other powers and perform such other duties as shall be prescribed by the Board.

30. *Secretary.* The Secretary shall give, or cause to be given, notice of all meetings of stockholders and Governors, and all other notices required by law or by these by-laws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the President, or by the Board or stockholders upon whose requisition the meeting is called as provided in these by-laws. He shall record all the proceedings of the meetings of the Corporation and of the Board in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board or the President. He shall have the custody of the seal of the company and shall affix the same to all instruments requiring it, when authorized by the Board or the President, and attest the same. He shall be sworn to the faithful discharge of his duties.



31. *Treasurer.* Subject to the restrictions of Section 36, the Treasurer shall have the custody of all funds, securities, evidences of indebtedness and other valuable documents of the company; he shall receive and give or cause to be given receipts and acquittances for money paid in on account of the company and shall pay out of the funds on hand all just debts of the company of whatever nature upon maturity of the same; he shall enter or cause to be entered in the books of the company to be kept for that purpose full and accurate accounts of all moneys received and paid out on account of the company, and, whenever required by the President or the Board, he shall render a statement of his cash accounts; he shall keep or cause to be kept such other books as will show a true record of the expenses, losses, gains, assets and liabilities of the company; he shall, unless otherwise determined by the Board, have charge of the original stock books, transfer books and stock ledgers and act as transfer agent in respect of the stock and securities of the company; and he shall perform all of the other duties incident to the office of Treasurer. He shall give the company a surety bond for the faithful discharge of his duties in such amount and with such surety as the board shall prescribe except as hereinafter provided.

32. *Clearing House Manager.* The Clearing House Manager shall have general management of the operation of the clearing house and shall perform such duties relative thereto as may be prescribed by the Board. No person shall be appointed manager unless he is first approved by the board of directors of the Association.

33. *Assistant Manager.* In the absence of the Clearing House Manager, the Assistant Clearing House Manager shall perform his duties. Both the Clearing House Manager and the Assistant Clearing House Manager shall give a surety bond for the faithful discharge of their duties.

34. *Resignations.* Any Governor, member of a committee, or other officer may resign at any time. Such resignation shall



be made in writing, and shall take effect upon its acceptance, or in any event ten days after its receipt, unless sooner withdrawn.

35. *Filling of Vacancies.* If the office of any Governor, member of a committee, or other office becomes vacant, the Governors in office, although less than a quorum, may appoint any qualified person to fill such vacancy, who shall hold office for the unexpired term, and until his successor shall be duly chosen.

## CHAPTER 5.

### MISCELLANEOUS PROVISIONS.

36. *Investment of Capital.* The capital and cash surplus of the clearing house, in excess of the capital necessary to meet expenses, etc., shall be invested by the Board in approved Federal, State, or Municipal bonds, or Illinois quasi Municipal bonds, or bonds of the Association, or Bankers' acceptances, or may be loaned on approved collateral consisting of listed stocks, bonds or commodities. Such loans, however, shall not exceed ninety per cent of the market value of such collateral, and not more than ten per cent of the capital of the clearing house shall be loaned to one person. All securities owned by the clearing house, except when necessarily used as collateral for loans to the clearing house, shall be kept in safety deposit vaults, to which there shall be access only by the concurrent action of the President (or in his absence, the Vice President) and Treasurer (or in his absence, the Secretary) of the clearing house, or by the concurrent action of one of such persons, and one of the Governors of the clearing house.

37. *Dividends.* The Board may declare dividends from the surplus or net profits arising from the business of the corporation as and when they deem expedient. Before declaring any dividend, there may be reserved out of the accumulated profits such sum or sums as the Board from time to time in their discretion think proper for working capital or as a



reserve fund to meet contingencies or for equalizing dividends, or for such other purposes as the Board shall think conducive to the interests of the company. The Board may close the transfer books for not exceeding twenty days next preceding the day appointed for the payment of any dividend.

38. *Fiscal Year.* The fiscal year of the company shall be the calendar year.

39. *Qualifications of Stockholders.* Qualified stockholders shall be: (a) Individuals who are members of the Association qualified to trade in their own names. (b) Registered partnerships qualified to trade in their own names under the rules of the Association. (c) Registered corporations qualified to trade in their own names under the rules of the Association. (d) In addition to the foregoing qualifications, applicants for shares of stock in the clearing house must have such business integrity and financial responsibility as to justify the clearing house in assuming the risk involved in the clearance of their daily trades. The Board shall have the exclusive power to determine whether any applicant for shares, or any existing shareholder, is thus qualified. For the purpose of determining whether any applicant or member is thus qualified, the Board, through its auditor or other agents, may examine the books and papers of any applicant or stockholder, or may take such other means as it may deem necessary to ascertain the facts bearing upon the question of qualification. No person, firm or corporation shall become a member of the clearing house until approved by the board of directors of the Association.

40. *Option of Clearing House to Purchase Shares.* If a stockholder dies, becomes insolvent, or bankrupt, or ceases to be a member of the Association, or desires to dispose of his shares, or fails to use the clearing house as a clearing agency for his trades for the consecutive period of ninety days, or ceases to be qualified as a stockholder, then and in either of



such cases the clearing house shall have an option to purchase the shares of such stockholder at the book value of such shares. The book value shall be established from time to time (at least once in six months) by the Board, and the option price shall be the last established book value. The book value established by the Board shall be final and binding upon all persons and for all purposes. The above option shall continue for thirty days after the clearing house shall have acquired notice of the facts giving rise to such option, and if not exercised within that period, the stockholder may sell his shares elsewhere.

41. *Board May Readjust Holdings.* It is the intention that the amount of stock owned by each stockholder, compared with the total amount of stock issued and outstanding, shall be approximately in proportion to the volume of clearances of such stockholder, as compared with the total clearances of the clearing house. If it appears to the Board that any stockholder owns a greater number of shares than is justified by the volume of his clearances during the preceding six months, the Board may require such member to surrender his excess shares, and thereupon the clearing house shall have an option to purchase such excess shares at their book value as herein provided.

42. *Price of Shares.* The amount payable by applicants for shares of the clearing house shall be fixed from time to time by the Board. Sufficient treasury stock shall be retained for prospective stockholders, and shares repurchased by the clearing house from its stockholders may also be resold to new subscribers.

43. *Knowledge of Transactions.* Except as expressly authorized by the Board, no person other than the Clearing House Manager or Assistant Manager shall have access to the books or records of the clearing house which disclose the open contracts of any member, but if the Manager deems it necessary, he may, at any time, report the facts shown by



the clearing house records to the board, to enable the board to take such action as may be proper.

44. *Clearances.* The clearing house will clear no trades except for its members.

44-a. *Application to Clear.* Stockholders desiring to clear trades, shall file with the clearing house an application in the following form:

The undersigned, being a stockholder of the Board of Trade Clearing Corporation, hereby makes application to clear his trades through such corporation, and agrees to abide by the charter and by-laws of such corporation, and all amendments thereto which may be adopted from time to time.

44-b. *Temporary Clearing Privileges.* An applicant for membership in the clearing house may have temporary clearing privileges provided such applicant has paid for the clearing house shares allotted to him by the finance committee and has been informally approved in writing by the finance committee and a majority of the governors, and has been formally approved by the board of directors of the Board of Trade. Such temporary privileges shall continue only until his application has been formally disposed of.

## CHAPTER 6.

### METHOD OF CLEARING COMMODITIES

45. *Effect of Clearance.* Buyers and sellers of commodities on change for future delivery may tender their contracts for clearance to the clearing house, and if the clearing house accepts the same, the buyer shall be deemed to have bought such commodity from the clearing house, and the seller shall be deemed to have sold such commodity to the clearing house. Such substitution shall be effective in law for all purposes. The original buyers and sellers shall be released from their obligations to each other, and the clearing house shall be



deemed to have succeeded to all the rights, and to have assumed all the obligations of the original parties to such contracts.

46. *Tender of Trades.* The filing of clearing house sheets, as hereinafter provided, shall be deemed a tender to the clearing house for clearance of all trades listed on such sheets.

47. *Adjustments.* Where a trade is cleared, and the contract price is less than the final market price of the day, the seller shall pay to the clearing house, and the buyer shall receive from the clearing house, the difference between the value of the commodity based upon the final market price of the day and the contract price. In like manner, if the contract price is more than the final market price of the day, the buyer shall pay to the clearing house, and the seller shall receive from the clearing house, the difference between the value of the commodity based upon the final market price of the day and the contract price. Thereupon, the seller shall be deemed to have sold such commodity to the clearing house, and the buyer shall be deemed to have bought such commodity from the clearing house, at the final market price of the day. Thereafter, from day to day, to the extent that such transaction remains open, similar payments shall be made to bring the trade to the final market price of that day, and after such payments have been made, the buyer shall be deemed to have bought and the seller shall be deemed to have sold such commodity to the clearing house at the final market price of such day.

48. *Offsets.* Where, as the result of any such substitution, any member has bought from the clearing house any amount of a given commodity for a particular delivery, and subsequently, and prior to such delivery, such member sells to the clearing house any amount of the same commodity for the same delivery, the subsequent transaction shall be deemed *pro tanto* a settlement or adjustment of the prior transaction. In like manner, where a member sells, and subsequently, and



before delivery, such member buys the same commodity for the same delivery, the second transaction shall be deemed *pro tanto* a settlement or adjustment of the prior transaction. Thereupon, such member shall become liable to pay the loss or entitled to collect the profit, as the case may be, upon such adjusted transactions, and shall be under no further liability to receive or make delivery with respect thereto.

49. *Clearing Sheets.* At the close of each business day (the exact hour to be fixed by the board) members shall file with the clearing house their clearing sheets covering all trades made during the day (including scratch sales) and all trades carried over from the preceding day. All trades, whether carried over or made during the day, shall be brought to the final market price of the day under section 47. All trades shall be separately grouped in respect to commodities and delivery months. With respect to trades made during the day, the clearing sheets shall show (a) the names of both members, (b) all commodities bought, (c) all commodities sold, (d) the amount of each, and (e) the delivery month upon each contract. There shall also be shown the net amount of each commodity for each delivery which the member has bought from or sold to the clearing house at the end of the day, and these trades shall be carried over to the following day. There shall also be shown the net amount owing by the member to the clearing house, or by the clearing house to the member, in order to bring all trades of the member to the final market price of the day.

49-a. *Memoranda and Records.* Every trade between members, before it is tendered for clearance, must be confirmed by both parties by depositing in the clearing house a signed memorandum or check slip giving the name of buyer and seller, the commodity bought or sold, the date, the amount, the price, and the delivery month. The clearing house will deliver the seller's memorandum to the buyer and the buyer's memorandum to the seller. In making up clearing sheets.



purchases of the same commodity for the same delivery from the same seller, and sales of the same commodity for the same delivery to the same buyer, shall be grouped, and collectively adjusted to the final market price of the day. Members shall keep permanent records showing, with respect to each individual purchase or sale, the names of both parties, the commodity, the amount, the date, the price, the delivery month, and the name of the customer for whom the trade was made. Such permanent records, together with the check slips herein provided for, shall be retained for at least five years, and shall be deemed the joint property of the clearing house and the member keeping the same. The clearing house shall be entitled to inspect or take temporary possession of any of such records at any time upon demand.

50. *Forms and Signatures.* Clearing sheets shall be prepared on forms prescribed by the clearing house, and the name of a member who files a clearing sheet wherever located on such clearing sheet, shall be deemed the signature of such member to such clearing sheet.

51. *Disagreement in Clearing Sheets.* If the entry of any trade on the clearing sheet of any member shall not correspond with the entry of such trade on the sheet of the other party to such trade, the clearing house shall immediately notify in writing both members, and shall not accept or be substituted on such contract until the dispute is settled.

52. *Clearing Sheets Where No Trades Made.* If a member shall have no trades with the clearing house carried over from the previous day, and shall make no trades during the day for which the clearing sheet is rendered, he shall return a clearing sheet upon which shall be endorsed the words "No trades to clear." No further return shall then be required until clearing is resumed.



53. *Checks to Accompany Clearing Sheets.* If the clearing sheet of a member shows a net balance in favor of the clearing house, he shall accompany his clearing sheet with a check signed by him on a bank approved by the clearing house, payable to the clearing house for the amount of such balance. If it is impossible to deliver such check at the time of filing his clearing sheet, he may, in lieu thereof, deliver a signed memorandum, on a form to be furnished by the clearing house, indicating that a certified check for the amount due will be delivered to the clearing house before nine-fifteen a. m. of the following day. If the balance shall be in favor of the member, he shall attach to his clearing sheet (for the signature of the clearing house) a check in the form prescribed by the clearing house, and on a bank designated by the clearing house, payable to the order of himself, for the amount of such credit balance. In the latter case, the clearing house shall promptly cause such check to be signed, and returned to the member.

53a. *Margin Checks.* At the time of filing his clearing sheet, each member shall also deliver to the clearing house a check on an approved bank for standing margins in such amount (if any) as may be necessary to make his standing margins conform to the standing margin requirements fixed by the board or by the Margin Committee. If impossible to deliver such check at the time of filing his clearing sheet, he may, in lieu thereof, deliver a signed memorandum on a form to be furnished by the clearing house, indicating that such check will be delivered before nine a. m. of the following day, or that a duplicate margin requisition in like amount, stamped and receipted for by an approved bank, will be delivered to the clearing house by nine-fifteen a. m. of such day.

54. *Acceptance of Trades by Clearing House.* If a member (a) fails to deliver the check or memorandum required by Section 53, or (b) having delivered such memorandum, fails to deliver a certified check within the time specified, or (c) having delivered an uncertified check, if the bank declines to certify such check upon presentation for certification, or (d) if



a member fails to deliver the check or memorandum required by Section 53a, or (e) having delivered such memorandum, fails to deliver the check or margin requisition within the time specified therein, or (f) having delivered a margin check, if the bank declines to accept such check upon presentation by the clearing house, then in any of such cases the trades of such member for the previous day shall be deemed rejected by the clearing house, and the clearing house shall not be substituted on such trades. In this event, the clearing house shall cause proclamation of such rejection to be made from the gallery of the association. If, however, checks are given to the clearing house by both parties, as required by Section 53, and such checks are properly certified, and if checks are given to the clearing house by both parties as required by Section 53a, and if such checks are properly accepted, or if receipted margin requisitions are delivered in lieu of such margin checks, all trades between such parties shall be deemed to have been accepted by the clearing house, and the clearing house shall be substituted thereon. Where the clearing house, or a member, delivers a margin check to an approved bank with a requisition for a margin certificate, and where the bank retains the check and stamps and returns the duplicate requisition, such action by the bank shall be deemed an acceptance of such check.

55. *Nonacceptance of Trades by Clearing House.* In case the clearing house shall give notice of its nonacceptance of the trades of any member, as provided in section 54, the clearing house shall be deemed to have incurred no obligation respecting the trades of such member, and it shall be incumbent upon the other parties to the contracts with the member whose trades are thus rejected, to take such steps as they may deem necessary or proper for their own protection.

56. *Confirmation by Clearing House.* If the trades listed on the clearing sheet of a member are accepted under section 54, and if the clearing house serves no notice of disagreement under section 51, the retention by the clearing house of such clearing sheets and the delivery or acceptance by the clearing



house of a check under section 53, shall be deemed a confirmation by the clearing house of the trades listed on such clearing sheet.

57. *Job Lots.* Contracts to buy or sell less than 5,000 bushels of grain are job-lot contracts, and contracts to buy or sell 5,000 bushels of grain, or multiples thereof, are round-lot contracts. Such job-lot contracts shall not be cleared against round-lot contracts.

58. *Shares Subject to Lien.* The clearing house shall retain possession of all clearing house shares owned by members to secure all obligations owing by members to the clearing house, and also to secure the rights of the clearing house under section 40. Subject to these rights of the clearing house, all clearing house shares owned by members shall be subject to lien for obligations arising out of Board of Trade transactions, and owing from the owner of such shares to other members of the clearing house.

59. *Margins.* The board, or margin committee, may call margins in their discretion, in such amount as may be required for the reasonable protection of the clearing house. Normally margin calls must be uniform, but in emergencies, or where particular risks are deemed unduly hazardous, the board, by a vote of three-fourths of those present, may depart from the rule of uniformity. Clearing house shares owned by members, and held in pledge by the clearing house, shall be credited against margin calls to the extent of the last established book value of such shares.

59a. *Standing Margins.* Margins, other than variation deposits, shall be known as standing margins. Such margins shall be paid by check to the clearing house. Every such check, if drawn against an approved bank, shall be deposited by the clearing house in the bank against which such check is drawn, in the name of the member making the deposit, for the joint benefit of such member and the clearing house. The clearing house shall receive a certificate of deposit in duplicate, and



shall deliver the original certificate to the member making the deposit. The duplicate certificate shall be retained by the clearing house. Upon performance or closing out of contracts thus secured, the deposits may be withdrawn upon the joint endorsement of the member and the clearing house. In case of disagreement as to the disposition of the deposit, either party may apply to the President of the clearing house, who shall appoint a special committee of three members before whom the dispute shall be arbitrated. The committee shall report their findings to the President, and thereupon the President shall endorse the original or duplicate certificate in accordance therewith. Such endorsement shall authorize the depository to pay the deposit as directed.

59b. *Securities as Standing Margins.* In lieu of depositing standing margins in cash, as provided for by Section 59a, members may deposit for standing margins any interest bearing obligations of the United States (hereinafter called securities) at the par or market value thereof, whichever is lower. Such securities shall be deposited in trust in an approved bank for the joint account of the member and the clearing house, and the bank shall issue duplicate receipts, one of which shall be kept by the member and the other by the clearing house. Such securities may be withdrawn, subject only to the provisions of Section 59a, which are made applicable hereto. Any member depositing securities under this section shall be entitled to receive interest coupons as they fall due, and such member shall pay to the bank all fees and charges of the bank for its services as trustee. Where a member defaults and the securities are delivered to the clearing house, they may be sold by the clearing house for the account of the member without further notice.

60. *Defaults.* A member is in default (a) who fails to meet any of his obligations upon his contracts with the clearing house, and specifically the obligations imposed by sections 47, 49, 53 and 53a, (b) who fails to deposit margins within one hour after demand by the clearing house, or (c) who is sus-



pendent or expelled by the Association. Upon such default, the clearing house may cause all open trades with such member to be closed in the open market, and any debit balance owing to the clearing house shall be immediately due and payable. If a member dies, and his obligations as above defined are subsequently defaulted (whether or not an administrator or executor has been appointed), his open trades may be closed as above provided.

61. *Members May Call Clearing House.* A member may call the clearing house for margins to cover fluctuations during the day, provided the market upon his combined open trades is at least \$5,000 in his favor. The clearing house shall respond to such a call within one hour, and the amount paid shall be charged against the member on his daily clearing sheet.

62. *Margins on Unaccepted Trades.* During the day, and before the acceptance of trades by the clearing house, members may call each other for margins pursuant to the rules of the Association.

63. *Deliveries and Allocations of Deliveries and Defaults on Last Day of Delivery Month.* A seller obligated to make deliveries to the clearing house shall issue and deliver to the clearing house, a signed delivery notice pursuant to the requirements of the rules of the Association. Thereupon, pursuant to such rules, the clearing house shall pass such delivery notice to the buyer obligated by the oldest contract to take delivery of the same amount of the same commodity described in the delivery notice. Thereupon the buyer receiving such notice shall present the same at the office of the seller by whom it was issued, and shall take delivery and make payment, provided, however, that when there is a default in delivery on the last business day of the delivery month, the clearing house shall allocate the commodities tendered on the final delivery on such day by making delivery pro rata, as near as may be practicable, among buyers who are long such commodities at the close of trading on the last business day of



the month, and the defaults shall be allocated in the same manner. The clearing house guarantees to the seller in all deliveries the payment of the delivery price.

64. *Delivery Price.* All deliveries shall be made at the final market price of the preceding day. Deliveries shall be shown on the bought side of the clearing sheet of the seller and the sold side of the clearing sheet of the buyer. Both sheets shall show the delivery price, and shall be balanced by bringing the delivery price to the final market price of the day of delivery.

64-a. *Delivery by Offsetting Purchase and Sale.* All deliveries must be made through the clearing house. A member whose purchases are equal to, or in excess of his sales, and who, therefore, has no commodities sold to the clearing house, but who, nevertheless, wishes to make delivery on open sales on his own books, must make an offsetting purchase and sale from and to the clearing house at the delivery price and make delivery to the clearing house upon such sale. Where a member is instructed to deliver any commodity upon behalf of a customer who is short such commodity upon the books of the member, and such member wishes to deliver such commodity to some other customer who is long such commodity on the books of the member, the member may make an offsetting purchase and sale to the clearing house as above provided, and make delivery to the clearing house on the sale, and, upon his request, shall receive delivery of the identical commodity from the clearing house on the purchase. Members must furnish to the clearing house memoranda of all offsetting purchases and sales made under this section, together with the dates and amounts of all prior sales upon which delivery is made, and all prior purchases upon which delivery is taken. The purpose of this entire section is to require actual and *bona fide* deliveries, and any member who attempts to utilize the provisions of this section for any ulterior or improper purpose may be denied clearing privileges or adjudged disqualified for membership under Section 39.



65. *Trades for Customers.* Where a member makes a trade for a customer, whether a member or nonmember of the Association, and the trade is cleared, the clearing house becomes the principal who is liable to the customer and to whom the customer is liable, subject to the following: (a) The trade shall remain subject to the charter and by-laws of the clearing house; (b) the trade may be offset against other trades of the clearing member as provided in section 48; (c) if the trade is not offset, and the member, being a seller, tenders a delivery notice to the clearing house, the member to whom such notice is passed shall thereupon be substituted as buyer in lieu of the clearing house; (d) if the trade is not offset, and the member, being a buyer, receives a delivery notice from the clearing house, the issuer of such notice shall thereupon be substituted as seller in lieu of the clearing house; (e) if the trade is offset, the clearing house shall be discharged, and the member himself shall be substituted for the clearing house as principal. For the purpose of this rule, the first trades made shall be deemed the first trades offset.

66. *Registration of Members.* The style and business address of each member must be registered at the office of the clearing house, and any change therein, or any substantial change in his financial status shall be immediately reported to the clearing house, under penalty of suspension from the privileges of clearing. Blank registration cards may be obtained at the office of the clearing house. The registered address of each member shall be deemed the address of such member for the purpose of compliance with section 4-b of the Grain Futures Act.

67. *Penalties for Errors and Omissions.* Members shall pay to the clearing house such penalties for errors and omissions as may be prescribed by the board.

68. *Clearance Fees.* Clearing charges shall be fixed from time to time by the board. All bills for such charges shall be rendered at the end of the month and paid on or before the 15th of the following month; where such payment is not made



by check on or before the 15th, the clearing member shall increase his debit clearing check or reduce his credit clearing check by the amount of his bill accompanying his regular clearing report of the 15th and failure to do so will be considered as a regular error which must be adjusted by 1 P. M. of the following day subject to the regular late penalty.

69. *Price of Shares.* The subscription price of the corporate shares of the clearing house in the first instance shall be \$2,500 each. No person shall subscribe for less than one share, nor more than 12 shares. Subscriptions must be in proportion to the estimated volume of clearing.



## BY-LAWS FOR CLEARING SECURITIES THROUGH BOARD OF TRADE CLEARING CORPORATION

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### CHAPTER 7.

#### METHOD OF CLEARING SECURITIES.

200. *What Securities Cleared.* The clearing house, from time to time, will publish a list of the securities subject to clearance, and no securities may be cleared except those mentioned in the last published list. No contracts will be cleared, except "regular way" contracts. No "odd lot" transactions shall be cleared.

201. *Lien Upon Clearing House Shares.* The clearing house shall have a lien upon clearing house shares owned by members for all money balances owing by members to the clearing house on account of the clearance of transactions in securities.

202. *Liability of Clearing House.* The clearing house will not be substituted as the other party to any transaction in securities, but merely acts as the common agent of the members for the purpose of facilitating deliveries. The clearing house will not receive any securities in its custody, and assumes no responsibility in connection with deliveries.

203. *Delivery Price.* The delivery price upon all securities shall be fixed each day by the Clearing House Manager.

204. *Sales Memo.* Within one hour from the time of any transaction which is to be cleared, the seller shall make out and deposit in the post office of the clearing house a sales memo, in triplicate, addressed to the buyer, which shall contain the date of the transaction, the name of the security, the number of shares, or, in the case of bonds, the par amount thereof, the contract price, and the signature of the seller.



These memoranda shall promptly be sorted by the clearing house into the buyer's post office box. The buyer shall expeditiously call for these memoranda and check the same with his records. If found correct, the buyer will sign and return one copy to the clearing house to be delivered to the seller, keeping two copies for himself. The seller will attach said sales memo, approved by the buyer, to his clearing report for the use of the clearing house who will return it to the seller on the day after the trade is cleared.

205. *Clearing Sheets.* At or prior to an hour to be fixed by the Clearing House Manager, each member who has trades to clear shall file with the clearing house a clearing sheet containing a debit or receive side, and a credit or deliver side. On the debit side, the member shall list all of his purchases, giving the name of the seller, the name of the security, the number of shares, or par amount of bonds, the contract price, and the extended value of the security at the contract price. On the credit side, the member shall list his sales, giving the name of the buyer, the name of the security, the number of shares, or par amount of bonds, the contract price, and the extended value of the security at the contract price. Immediately below these entries, there shall be shown on the debit side the balance of securities to be delivered, with the value extended at the delivery price; likewise on the credit side, there shall be shown the balance of the securities to be received, with the value extended at the delivery price. From these totals, there shall be ascertained the debit or credit money balance payable to the clearing house, or to the member, as the case may be. If there is a debit money balance, a certified check for such balance drawn upon an approved bank in favor of the clearing house shall be delivered to the clearing house before 9:30 A. M. on the following business day; if there is a credit money balance, there shall be attached to the clearing sheet a form of check for such balance, made payable to the member, for execution by the clearing house. If found correct, such check will be signed by the clearing house and



ready for delivery to the member at 10:30 A. M. on the following business day.

205-a. The clearing house may accept uncertified checks for amounts not in excess of \$1,000.00.

206. *Receive and Deliver Tickets.* Each member shall file with his clearing sheet a Receive or Deliver ticket, indicating the amount of securities which he is to receive and deliver on the following day. These tickets shall be signed by the member and shall indicate the name of the security, the number of shares, or par amount of bonds, and the delivery price. There shall be a separate ticket for each security. The Deliver tickets, when filed, shall not contain the name of the member to whom delivery is to be made, and the Receive tickets shall not contain the name of the member from whom delivery is to be received. During the night, the clearing house will insert in the Deliver tickets the names of the members to whom delivery is to be made; and will also insert in the Receive tickets the names of the members from whom delivery is to be received. The tickets will then be distributed through the post office of the clearing house, and will be available to members by 9:30 A. M. on the following day. No such tickets will be delivered to members until the clearing house has received all certified checks due from members for debit money balances under section 205.

207. *Week-End Clearing.* No trades will be cleared on Friday night, and no deliveries will be made on Saturday. Trades made on Friday will be combined with those made on Saturday, and all of such trades will be cleared on Saturday night. Deliveries on trades made on Friday and Saturday will be due on Monday.

208. *Forms.* The clearing house will furnish its members with the following forms, at approximately their cost: Sales memos, clearing sheets, receive tickets, deliver tickets, and clearing house checks.



209. *Clearing House Fees.* Fees for clearing transactions or trades shall be determined from time to time by the Board of Governors.

210. *Clearing House Fines.* Clearing house members shall pay such fines to the clearing house as may be determined from time to time by the Board of Governors.



## PERMANENT RESOLUTIONS.

## VARIATION DEPOSITS.

RESOLVED, that margins called during the day by reason of the market fluctuations of the day be known as variation deposits. Variation deposits shall be paid to the clearing house on call by certified check which shall be deposited in the clearing account of the clearing house. Variation deposits shall be deemed payments on account of the day's business, and shall be credited to the members making the same on their clearing sheets for that day. The clearing house manager is authorized to call variation deposits during the day to the extent of market fluctuations during the day. (Resolution 72, adopted January 6, 1926.)

## MARGIN COMMITTEE.

RESOLVED, that there be established a margin committee consisting of the president, the vice president and three other governors. Subject to the restrictions contained in section 59 of the by-laws, the margin committee, from time to time, shall fix and determine the amount of margins which shall be called to protect the clearing house upon trades in various commodities. When the amount callable shall have been fixed and determined by the margin committee, such margins shall be called by the clearing house manager. Meetings of the margin committee shall be held forthwith upon call by the president, the vice president or the clearing house manager. Three members of the committee shall constitute a quorum, but if a quorum cannot be assembled, those present (less than a quorum) shall fill the committee or make up a quorum by calling in additional governors. (Resolution 73, adopted January 6, 1926.)



## MARGINS.

RESOLVED, that no margin calls be made for less than \$500, and that all margin calls be made in multiples of \$500. (Resolution 90, adopted January 25, 1926.)

## CONFIRMATION OF TRADES.

RESOLVED, that trades between members of the clearing house must be confirmed within one hour by depositing at the office of the clearing house a check slip or memorandum giving the name of buyer and seller, the commodity sold, the amount thereof, the delivery month and the purchase price;

RESOLVED FURTHER, that there be imposed a fine of \$25 for each and every violation of the above resolution, all such fines to be imposed in the first instance by the clearing house manager, provided that any member who deems himself unjustly fined, may appeal to a committee of the board of governors for a reconsideration of the facts in issue. (Resolution 77, adopted January 6, 1926; Resolution 128, adopted March 29, 1926.)

## REPORTS.

RESOLVED, that in all reports to the clearing house, the trades shall be divided into four groups. The group into which any trade falls is to be determined by the first letter of the name of the clearing member taking the other side of the transaction. The groups are constituted as follows:

First Group	A—E
Second Group	F—L
Third Group	M—R
Fourth Group	S—Z

After all trades are entered and checked, the differences are to be figured on each transaction separately. (Resolution 117, adopted February 26, 1926.)



## CLEARING CHARGES.

RESOLVED, that a clearing charge be fixed temporarily at one-fourth cent ( $\frac{1}{4}c$ ) per one thousand bushels. (Resolution 97, adopted February 8, 1926.)

RESOLVED, that the clearing charge for indemnity differences be fixed at two and one-half cents ( $2\frac{1}{2}c$ ) per item. (Resolution 98, adopted February 8, 1926.)

RESOLVED, that the clearing charge for provisions be fixed at one and one-quarter cent ( $1\frac{1}{4}c$ ) for each contract for 50,000 pounds or less. (Resolution 105, adopted February 15, 1926.)

RESOLVED, that clearing charges on cotton be reduced from  $12\frac{1}{2}c$  per contract of 50 bales to  $1\frac{1}{4}c$  per contract of 50 bales, such reduction to be effective as of August 1, 1926. (Resolution 191, adopted August 13, 1926.)

## DEFAULT OF BUYER.

RESOLVED, that whenever the clearing house passes a delivery notice to a buyer under section 63 of the by-laws, the clearing house manager shall promptly give to the seller who issued such notice, the name of the buyer to whom such notice was passed. Thereafter, if the buyer fails to present such notice and make payment within the time specified by Regulation 1716\* of the Board of Trade, the seller shall immediately notify the clearing house of such default. (Resolution 147, adopted May 14, 1926.)

## PENALTIES.

RESOLVED, that pursuant to the authority contained in section 67 of the by-laws, the following penalties are prescribed for errors and omissions:

For each error appearing on the clearing sheet of a member, 25c.

For failure to file clearing sheets on time—\$5 for the first five minutes and \$1 for each additional minute with a maximum penalty of \$10. (Resolution 76, as amended May 14, 1926.)

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\* This regulation later changed to No. 1804.





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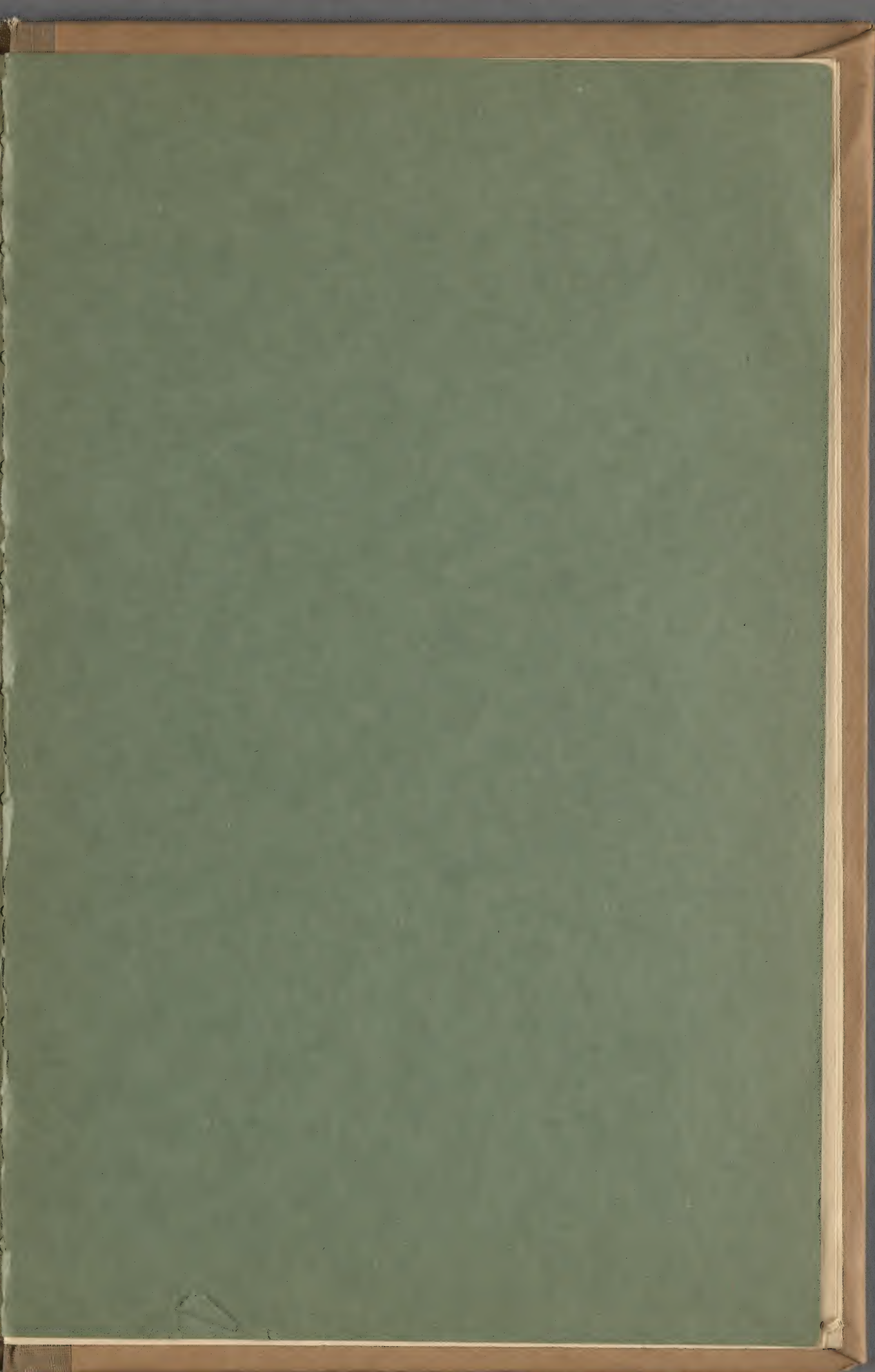
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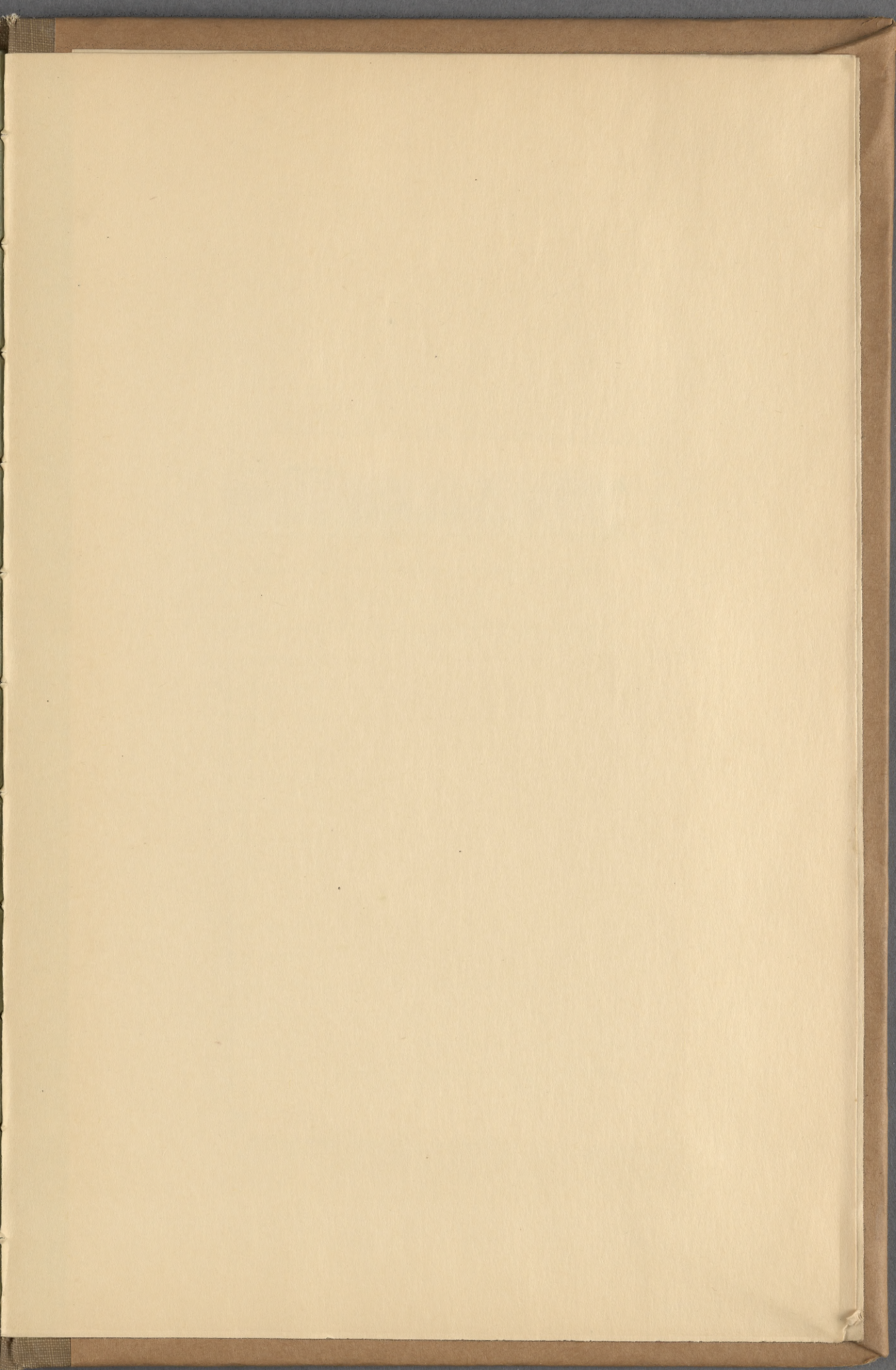














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Board of trade clearing corp.  
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